



STATE BOARD OF EQUALIZATION
PROPERTY AND SPECIAL TAXES DEPARTMENT
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Executive Director

March 16, 2006

Honorable Dick Fisher
Yolo County Assessor
625 Court Street, Room 104
Woodland, CA 95695-3448

Dear Mr. Fisher:

In February 2006, the Board of Equalization (Board) conducted a special survey of your office pursuant to its authority under Government Code section 15612, which allows the Board, or its duly appointed representative, to inspect the work of any local officers whose duties relate to the assessment of property for taxation and the collection of taxes. This special survey was initiated in response to a complaint to the Board's Investigations Division from Mr. Robert Milbrodt, an employee in the Yolo County Assessor's Office, claiming that there were inappropriate assessment practices in the county.

Three property tax appraisers from the Board's Property and Special Taxes Department's County Property Tax Division conducted this special survey, completing the fieldwork in your office from February 7, 2006 through February 14, 2006. This special survey was limited in scope to a review of the following:

- The assessment of the personal residence of the taxpayer that was included in the materials submitted by Mr. Milbrodt.
- The assessment of other residential properties surrounding the above residence.
- The assessment of other properties owned by the same taxpayer and related entities.
- The assessment of properties personally made or changed by the assessor.
- Office procedures and practices related to the review of assessments completed by staff.
- Office procedures and practices related to the control of records by the assessor and his staff.
- Whether any confidential taxpayer information was improperly disclosed or made public.
- All documents, including emails, related to the assessment of the above properties.
- Other issues that arose from the review of the above areas.

In summary, the special survey team found no evidence of improper assessments of the properties they reviewed. The team did, however, find that documentation of records should be improved in your office and procedures should be established to ensure that all staff are aware of the importance of protecting confidential information as required by law. The team also found that Mr. Milbrodt provided copies of appraisal records used in the valuation of three single-family residential properties to an industry publication. Appraisal records are considered to be confidential under Revenue and Taxation Code section 408; therefore, staff believes that he improperly disclosed that information to the public.

In order to ensure uniformity of assessments and to correct practices and procedures identified as problems in this survey, we request that you provide a written response to the recommendations contained in the enclosed report within 30 days. In your response, please outline the course of action you will take to address these recommendations.

We would like to thank you and your staff for your cooperation in our conducting of this special survey. If you have any questions or would like to discuss our findings, please feel free to call me at (916) 445-1516, or Ms. Mickie Stuckey at (916) 324-4495.

Sincerely,

/s/ David J. Gau

David J. Gau
Deputy Director
Property and Special Taxes Department

DJG:ms

Enclosure

cc: Honorable John Chiang, Chair
Honorable Claude Parrish, Vice-Chairman
Ms. Betty T. Yee, Acting Board Member
Honorable Bill Leonard
Honorable Steve Westly
Mr. Steve Basha
Yolo County Counsel
Ms. Sharon Jensen
Yolo County Administrator
Mr. Ramon J. Hirsig
Ms. Kristine Cazadd
Mr. Robert Lambert
Ms. Mickie Stuckey

SPECIAL SURVEY REPORT YOLO COUNTY ASSESSOR'S OFFICE

MARCH 2006

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INTRODUCTION AND SCOPE

To promote uniformity, fairness, equity, and integrity in the property tax assessment process on a statewide basis, the State Board of Equalization (Board) is charged, pursuant to Government Code section 15606, with the duty of providing guidance to and oversight of assessors in the exercise of the assessment function. As a means of providing the guidance and oversight, the Board administers the assessment practices survey program, set forth in Government Code sections 15640 et seq., under which Board staff periodically reviews or surveys the practices and procedures of all 58 assessors' offices in California. The findings and recommendations of each survey are set forth in detail in an assessment practices survey report. Each report also describes whether the assessor has implemented recommendations from prior surveys.

In addition to periodic assessment practices surveys, Government Code section 15612 grants the Board broader oversight authority to conduct "special surveys" by providing that:

The board may inspect, either as a board, individually, or by its duly appointed representative, the work of any local officers whose duties relate to the assessment of property for taxation and the collection of taxes. It may require such officers to produce any records in their custody, including, but not limited to, records relating to the assessment of specific properties and give testimony with reference to such matters of assessment and tax collecting as it deems useful to it in its investigations.

In February 2006, the Board conducted a special survey of the Yolo County Assessor's Office under the authority of Government Code section 15612 in response to a complaint submitted to the Board by an employee in that office, Mr. Robert Milbrodt. Mr. Milbrodt also submitted allegations of wrong-doing by staff in the assessor's office to the media and one of those complaints was forwarded to the Board.

The Honorable Dick Fisher, Yolo County Assessor, provided his full and complete cooperation to the Board's special survey team in the review of his procedures and practices to determine the validity of the claims that certain properties in the county were being undervalued. The assessor also expressed concern about a possible breach of confidentiality by Mr. Milbrodt with respect to his disclosure of copies of appraisal records to the media.

A special survey team, consisting of three appraisers (a principal property appraiser, a senior specialist property appraiser, and an associate property appraiser) reviewed the following:

- The assessment of the personal residence of the taxpayer that was included in the materials submitted by Mr. Milbrodt.
- The assessment of other residential properties surrounding the above residence.

- The assessment of other properties owned by the same taxpayer and related entities.
- The assessment of properties personally made or changed by the assessor.
- Office procedures and practices related to the review of assessments completed by staff.
- Office procedures and practices related to the control of records by the assessor and his staff.
- Whether any confidential taxpayer information was improperly disclosed or made public.
- All documents, including emails, related to the assessment of the above properties.
- Other issues that arose from the review of the above areas.

The special survey team reviewed the information received by the Board, interviewed the assessor and his staff, reviewed hard-copy records and the computer data files of the properties in question, and conducted field inspections of some of the properties in question.

FINDINGS

The assessment of the personal residence of the taxpayer that was included in the materials submitted by Mr. Milbrodt.

The survey team performed an exterior review of the subject property and examined all appraisal records pertaining to the assessment of the property specifically referenced in Mr. Milbrodt's allegations. The property consists of a 6,000 square-foot, high quality single-family dwelling built in 1980 and located in Yolo County. The dwelling is an overimprovement for the neighborhood. While once a prestigious area, the neighborhood has gradually been overshadowed by newer developments. As a result, the special survey team found the property presents a unique and complex appraisal problem requiring highly subjective valuation analyses and significant adjustments for location and quality of construction.

In 1996, the taxpayer called the assessor requesting a decline-in-value review of the assessment of his residence. The appraiser responsible for the geographical area (Mr. Milbrodt) reviewed the assessment and reduced the taxable value from about \$1 million to \$550,000. After six years of reviews and no value change, the appraiser concluded that the market value of the property had increased and he intended to change the 2002-03 taxable value to \$705,000.

Upon review, the chief deputy appraiser believed that the proposed revised value of \$705,000 was too high and unsupportable. He asked the assessor to review the appraiser's valuation methodology and value conclusion because the assessor was familiar with the property and its related appraisal difficulties. The assessor believed that there was no change in market value for the 2002-03 roll and left the value at \$550,000. For 2003-04, the chief deputy appraiser reviewed the assessment and made no change. For the 2004-05 roll, the value was only adjusted by the inflation factor of 2 percent. For 2005-06, the factored base year value of \$1,168,274 was restored.

In the initial appraisal to raise the assessment to \$705,000 for 2002-03, the appraiser listed comparable sales and included a valuation analysis. However, the team believes that the value conclusion made by the appraiser was not fully supported by market data. In the valuations made by the assessor for 2002-03 and the chief deputy appraiser for 2003-04, only nominal documentation was provided for the value conclusions, and no supporting market data were provided. In addition, there were no comments on the appraisal record regarding the decision to restore the factored base year value in 2005-06.

Despite the lack of sufficient documentation for all the value conclusions, the team believes that, because of the difficulty of this appraisal, it is reasonable to have disparaging value estimates. In addition, the value conclusions by all three parties appear to be reasonable despite the limited data contained in the appraisal records.

The assessment of other residential properties surrounding the above residence.

The special survey team reviewed a number of assessments of single-family residences in the neighborhood where the previously mentioned residence is located to determine their assessment treatment. In addition, the team reviewed the assessments of neighboring residences that were adjusted for declines in value in 2002-03.

The team found that other properties were processed for declines in value in the same manner as the above property, and over a similar period of time. While documentation was limited in all cases, the team found no improper practices or procedures.

The assessment of other properties owned by the same taxpayer and related entities.

The special survey team selected a number of properties, including many large commercial, industrial, and rural properties, owned by the previously mentioned taxpayer and related entities, and reviewed their assessments. None of the assessments were processed for a decline in value. However, the team found three properties for which the taxpayer had requested decline-in-value reviews. The documentation in the appraisal records showed that the appraiser reviewed the market data, found that no value reductions were appropriate, and informed the taxpayer of the results.

The assessment of properties personally made or changed by the assessor.

The special survey team interviewed the assessor and the chief deputy appraiser regarding work assignments and work flow. The team found the assessor typically values only the natural gas properties and that his review of the assessment of the previously mentioned residence was an atypical occurrence. The team found the assessor had no direct involvement in the review of the assessment of any properties unless requested by the chief deputy appraiser.

Office procedures and practices related to the review of assessments completed by staff.

The special survey team interviewed the chief deputy appraiser about the flow of appraisals from valuation through data input to the assessment roll. The team found that the office procedure and practice was for the chief deputy appraiser to review all assessments and forward them to clerical staff for data input (appraisers do not have access to the computer data input screens). If the chief deputy appraiser has questions regarding an assessment, the assessment is returned to the appraiser for correction or discussion. If revisions are made, the appraisal is resubmitted to the chief deputy appraiser for review again; however, there is no procedure in place for the clerical staff to verify that assessments have been reviewed since no transmittal sheet is used and the chief deputy appraiser does not initial the appraisal records.

Office procedures and practices related to the control of records by the assessor and his staff.

The special survey team observed interchanges at the public counter in the assessor's office between the assessor's staff and the public. In addition, the team interviewed five real property appraisers and two assessment office specialists regarding the confidentiality of assessors' records and found that:

- All were aware that appraisal files were confidential.
- The assessor informed the staff of this fact through new employee orientation classes, informal discussions in the office, and staff meetings.
- None have attended any training devoted specifically toward the issue of confidentiality of records.
- All seven of the staff understood that personnel files were confidential and that taxpayer names and assessor parcel numbers were public information.
- Six of the seven stated that appraisal records and business financial records in the assessor's files were confidential. The seventh employee contended that some information in a property file was not confidential, such as the market data used for valuation purposes.

Overall, the team found that staff generally understood what was and was not confidential information. However, the assessor's staff has not had any formal training dealing with the confidential information in appraisal records. Additionally, the confidential nature of taxpayer information and appraisal records is not addressed in the office procedures manual or any information pamphlet, and employees are not required to sign a confidentiality statement.

Whether any confidential taxpayer information was improperly disclosed or made public.

The special survey team reviewed the materials provided to an industry publication by Mr. Milbrodt. Those documents included copies of assessor's appraisal records used in the valuation of three single-family residential properties.

Appraisal records are not open to public inspection and are considered confidential, by law, as provided in Revenue and Taxation Code section 408. Therefore, the team believes that confidential information was improperly disclosed to the public.

All documents, including emails, related to the assessment of the above properties.

The special survey team reviewed three other properties that were included in the materials submitted by Mr. Milbrodt.

Primary Residence of the Chief Deputy Appraiser

The team reviewed the appraisal record and performed a site inspection of the residence. In 2000, a permit was issued for a remodel and addition to this single-family residence. The assessment assignment was forwarded to the appraiser responsible for the area. The appraiser added value for the addition, but added no value for the remodel considering the work done to be repairs and maintenance and not new construction.

The team found the appraiser followed office procedures and complied with statutory provisions relating to new construction. Also, the appraiser used accepted appraisal methodology and reconciled the value indicators to a reasonable value conclusion. The team found no problems relating to the assessment of this property.

Primary Residence of the Assessor

The special survey team reviewed the appraisal record and performed an exterior review of the property which was purchased by the assessor (who was the assistant assessor at the time) in January 1992. For the 1996-97 roll, the taxable value was reduced to reflect the current market value. The decline-in-value assignment was forwarded to the appraiser responsible for the area. The appraiser's analysis noted on the property record for the decline-in-value assessment was detailed and reasonable. The property was reviewed annually, thereafter, and the enrolled value remained level for the next two years.

For the 1999-00 roll, the newly-elected assessor requested that the taxable value for his residence be changed to the higher factored base year value to ensure that there would be no perception of favoritism in the assessment of his residence. The taxable value was increased to the factored base year value for 1999-00.

The team found no problems with the assessment of this property.

Primary Residence of a Staff Appraiser

The special survey team reviewed the appraisal record and performed an exterior review of the property. The residence was purchased in August 1994. For the 1996-97 roll, the taxable value was reduced to reflect the current market value. The property was reviewed annually, thereafter, until the factored base year value was restored for the 2000-01 roll.

Since the property owner was the appraiser assigned to the area, another appraiser (Mr. Milbrodt) was assigned to review the property for a possible decline in value. Mr. Milbrodt listed six property sales and developed a value indicator of \$100 per square

foot. Upon review, the chief deputy appraiser revised the value conclusion to \$96 per square foot.

The team found no problems with either the appraiser's or chief deputy's valuation and attributes the slight difference to differing opinions and appraisal judgment.

Other issues that arose from the review of the above areas.

The special survey team focused the scope of its review strictly to the allegations raised in the initial complaint received by the Board. No other issues of significance arose during the course of this review.

CONCLUSION

The special survey team found no problems relating to the assessment of the properties reviewed and found no evidence of improper assessments by the assessor or his staff. Additionally, the team found that confidential appraisal records were improperly disclosed to the public in violation of Revenue and Taxation Code section 408. Based on these conclusions, the team recommends the following changes:

- That documentation of assessor's appraisal records be improved for all assessments, which can be done by including a valuation analysis, as well as comments to support all value changes, in the appraisal record.
- That the assessor establish procedures to prevent further improper disclosures and to ensure that all staff are informed and understand the importance of protecting confidential information as required by law.